

805 KAR 9:030. Surety bonds; requirements, cancellation.

RELATES TO: KRS 349.120

STATUTORY AUTHORITY: KRS 349.115

NECESSITY, FUNCTION, AND CONFORMITY: KRS 349.115 authorizes the Department for Natural Resources to promulgate all rules, administrative regulations, and amendments to implement the provisions of KRS Chapter 349, governing coal bed methane wells. This administrative regulation establishes methods of giving notice to operators and sureties of noncompliance with applicable statutory provisions. It also establishes requirements for the release, cancellation and forfeiture of bonds.

Section 1. If the department causes a notice of noncompliance to be served upon an operator (principal), it shall mail a copy of this notice, by registered or certified mail, return receipt requested, to the surety company at the address provided to the Kentucky Department of Insurance for receipt of notices or to the bonding entity at the address provided by that entity. The bonding entity (surety or bank) shall be afforded the opportunity to act on behalf of the operator (principal) within forty-five (45) days of the receipt of notice of violation in regard to the proper plugging of the well or wells and submission of required well log and completion reports, electric logs, if run, and plugging affidavits. If the operator (principal) and bonding entity (surety or bank) fail to comply within forty-five (45) days of receipt of notice of violation, the bond shall be forfeited to the department.

Section 2. An individual well bond, filed on an Individual Surety Bond Covering Coal Bed Methane Wells to be Drilled, Deepened, Reopened or Temporarily Abandoned, CBM-5, shall be released upon the proper plugging of the well and the filing with the department of a plugging affidavit, well log and completion report and electric log, if run. A blanket bond, filed on either a Blanket Bond Covering Coal Bed Methane Wells to be Drilled, Deepened, Reopened or Temporarily Abandoned, CBM-4, a Letter of Credit, CBM-6, or a Verification of Certificate of Deposit, CBM-7, shall be released upon the proper plugging of all wells of the operator (principal) covered by the bond, and the filing with the department of plugging affidavits, well logs and completion reports and electric logs, if run, for all these wells.

Section 3. A blanket surety bond filed pursuant to KRS 349.120(1) may be cancelled by the surety by a communication in writing delivered personally or by registered or certified mail to the office of the Division of Oil and Gas Conservation, Department for Natural Resources. This cancellation shall indicate an effective date and shall be effective only to relieve the surety from liability under the bond for wells for which permits have not been issued when the notice is received by the department. Liability under the bond for wells for which permits have been issued prior to the receipt by the department of the notice shall not be affected by the cancellation.

Section 4. Material Incorporated by Reference. (1) The following material is incorporated by reference:

(a) "Blanket Surety Bond Covering Coal Bed Methane Wells to be Drilled, Deepened, Reopened or Temporarily Abandoned," Form CBM-4, Jan. 2005, Division of Oil and Gas Conservation;

(b) "Individual Surety Bond Covering Coal Bed Methane Wells to be Drilled, Deepened, Reopened or Temporarily Abandoned," Form CBM-5, Jan. 2005, Division of Oil and Gas Conservation;

(c) "Letter of Credit," Form CBM-6, Jan. 2005, Division of Oil and Gas Conservation; and
(d) "Verification of Certificate of Deposit," Form CBM-7, Jan. 2005, Division of Oil and Gas Conservation.

(2) This material may be inspected, copied, or obtained, subject to applicable copyright law, at the Kentucky Department for Natural Resources, Division of Oil and Gas Conservation, 300 Sower Boulevard, Frankfort, Kentucky 40601, Monday through Friday, 8 a.m. to 4:30 p.m. (31 Ky.R. 1469 Am. 1965; eff. 6-8-2005; TAm eff. 7-6-2016.)